

Financial Audits

Procedural Bulletin # 5

Purpose

To establish guidelines for monitoring and evaluating fiscal operations of any entity receiving Indiana Department of Correction (IDOC) State grant funds and/or funds supported by IDOC State grant funds.

The purpose of the evaluation is to determine the:

- Need for continuation of the program;
- Effectiveness of the program in addressing a stated purpose,
- Objective, or goal;
- Efficiency of the management, operation, and delivery of the program;
- Necessity for modification of the program.
- The extent of compliance with the Grant Agreement Fiscal Budget.
- Funds (including Project Income) are expended in accordance with the approved Budget including amendments and IDOC approved transfers.
- Purchases and expenditures are documented, justified in furtherance of the Grant, and follow procedural formats acceptable to the State Board of Accounts.
- Fixed assets are documented, inventoried, and safeguarded.

Financial Audits

An audit of financial books and statements is conducted annually by the IDOC's staff or designees, to determine whether the overall financial transactions are carried out in accordance with the current Procedural Manual, IDOC's policies and procedures, and any other State or Federal regulations that apply.

General examples of the audit's focus are as follows (but are not limited to):

- Grant expenditures to insure the funds are being spent as approved in the Grant Agreement (e.g., copies of financial reports sent to the Department). NOTE: This requires that a copy of the approved grant and detailed budget be available at the time of visitation.
- To ensure proper receipts and documentation are maintained on all expenditures (e.g., quietuses, claims to Auditor, vehicle mileage logs, fixed asset records, etc.).
- To ensure prior written approval has been obtained for transfer of funds for expenditures not specifically approved in the grant.

- The review of Project Income or any IDOC state grant supported funds to ensure accounts are carried separately, that prior approval has been obtained for expenditures, and proper documentation is present (e.g., grant ledgers including cash account, the auditor's cash fund ledger, auditor's expenditures/disbursements by line item, claims to auditor, receipt books for collections, bank statements, etc.).
- Review of Fixed Asset Inventory List to ensure such inventory is documented and items purchased are available for inspection.

Financial Audit Procedure

IDOC Fiscal Audits will conduct the following procedures:

- Review Grant Budget and correspondence (transfer requests, etc.) and plan audit.
- Determine Carryover as of the end of the fiscal year being audited.
- Reconcile the determined carryover to the corresponding balance shown in the County Auditor's Fund Ledger.
- Review expenditures for: budget limits, supporting documentation, time and attendance reports, sales tax paid, non-appropriate expenditures, and prior approval on any modifications to budget.
- Review new property and equipment acquisitions and dispositions.
- Verify recorded fixed assets exist and being utilized.
- Review security of assets.
- Review travel records (including vehicle mileage logs) for compliance with travel rules and regulations.
- Review bonding and/or liability insurance coverage.
- Verify that financial records are retained in compliance with IDOC and/or County requirements.
- Review Project Income for the fiscal year for compliance and review expenditures out of Project Income.
- Review contracts for outside services paid from Grant or Project Income Funds.
- Review monthly Financial Statements.
- Discuss the results of the field audit with the Program Director and other staff members as desired by the Director.
- Prepare a written report disclosing the results, recommendations, and findings.

Requested documents needed in order to complete audit (additional items may be requested by the IDOC auditor):

1. Vehicle mileage logs.
2. Fixed asset inventory records.
3. Community Corrections ledgers and journals (Grant and cash).
4. County auditor's cash fund ledger.
5. County auditor's expenditure records by line item.
6. Copies of claims submitted to the auditor.
7. Copy of carryover worksheet.
8. Copies of financial reports sent to the IDOC.
9. Copies of quietuses.
10. Copies of approved transfers.

11. Copy of approved Grant & Budget.
12. Monthly reconciliation statements.
13. Receipts for money received from clients.

Exit Conference and Documentation

Upon completion of an IDOC audit, the Auditor(s) will conduct an “exit conference” with a grant awarded Director and/or designee.

IDOC will prepare a written audit report of each audit completed. This written audit report is subject to review by supervisory staff within the Department.

Following the reviews of the written audit report, IDOC will email a copy of the audit report to the Director of the grant awarded entity as well as to the county’s Advisory Board Chair.

Corrective Action

Upon review by the county’s Advisory Board, in the case where there are findings on the audit report, the grant entity Director shall forward a written response of corrective action to the IDOC Community Corrections Director and IDOC Audit Supervisor.